

(Barry)
CARLTON TOWNSHIP
FINANCIAL STATEMENTS
For the year ended June 30, 2004
08-1040

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Carlton Township		LOCAL AUDIT & FINANCE DIV. Barry	
Audit Date 6/30/04	Opinion Date 9/22/04	Date Accountant Report Submitted to State: 12/23/04			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Walker, Fluke & Sheldon, PLC			
Street Address 525 W Apple St		City Hastings	State MI
		ZIP 49058	
Accountant Signature <i>Walker, Fluke & Sheldon, PLC Katherine K. Sheldon</i>		Date 12/23/04	

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WALKER, FLUKE & SHELDON, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Township Board
Carlton Township
Barry County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Carlton Township, Barry County, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carlton Township, Barry County, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Carlton Township, Barry County, Michigan, as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes, the Township adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

The management discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Carlton Township's basic financial statements. The accompanying additional supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of Carlton Township, Barry County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan
September 22, 2004

Walker, Fluke & Sheldon, PLC

Carlton Township Management Discussion and Analysis

As the Township Board of Carlton Township, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Carlton Township for the fiscal year ended June 30, 2004. This being the initial year of adoption, comparative information is not presented. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Township. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 6.

Financial Highlights

- The assets of Carlton Township exceeded its liabilities at the close of the most recent fiscal year by \$729,976 (net assets). Of this amount, \$489,475 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$37,917.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$563,445, an increase of \$37,257 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$488,230, or 219% of total general fund expenditures. This demonstrates the Township's fiscal discipline and places the Township in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown of the economy.

Overview of the Financial Statements

Carlton Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, highways and streets, recreation and cultural and health and welfare.

The government-wide financial statements can be found on pages 6-7 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Carlton Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: government funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Carlton Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Fire Fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 8-10 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

The basic fiduciary fund financial statements can be found on pages 11-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 13-20 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Township adopts an annual budget for its general fund and fire fund. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 21-22 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on budgets on pages 23-27.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Carlton Township, assets exceeded liabilities by \$729,976 at the close of the most recent fiscal year.

By far the most significant portion of the Township's net assets (67 percent) reflects its unrestricted net assets (\$489,475), which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Township's net assets (10 percent) reflects restricted net assets (\$75,215), which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Township's net assets (23 percent) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Carlton Township's Condensed Financial Data

	<u>Governmental Activities</u>	<u>Total</u>
Current and Other Assets	\$ 618,376	\$ 618,376
Capital Assets	<u>165,286</u>	<u>165,286</u>
Total Assets	<u>783,662</u>	<u>783,662</u>
Long-Term Liabilities	-	-
Other Liabilities	<u>53,686</u>	<u>53,686</u>
Total Liabilities	<u>53,686</u>	<u>53,686</u>
Net Assets:		
Invested in Capital Assets, Net of related debt	165,286	165,286
Restricted	75,215	75,215
Unrestricted	<u>489,475</u>	<u>489,475</u>
Total Net Assets	<u>\$ 729,976</u>	<u>\$ 729,976</u>
Program Revenues		
Charges for Services	\$ 600	\$ 600
General Revenues		
Property Taxes	139,452	139,452
State Grants	167,292	167,292
Licenses and Permits	1,245	1,245
Investment Income	10,975	10,975
Other	<u>14,327</u>	<u>14,327</u>
Total Revenues	<u>333,891</u>	<u>333,891</u>
Program Expenses		
Legislative	6,820	6,820
General Government	104,475	104,475
Public Safety	86,158	86,158
Public Works	90,128	90,128
Recreational and Cultural	1,200	1,200
Health and Welfare	2,000	2,000
Other	4,058	4,058
Loss on Trade-In of Capital Assets	<u>1,135</u>	<u>1,135</u>
Total Expenses	<u>295,974</u>	<u>295,974</u>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities. Governmental activities increased the Township's net assets by \$37,917, mainly due to planned road projects that were not started or completed until after year-end.

For the most part, expenses were comparable with prior year. Road, weed control and fire services increased for additional projects or demand for more service.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$563,445, an increase of \$37,257 in comparison with the prior year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$488,230. Unreserved fund balance represents 219% of the total general fund expenditures.

The fund balance of the Township's general fund increased by \$39,369 during the current fiscal year, mainly due to planned road projects that were not started or completed until after year-end.

General Fund Budgetary Highlights

Differences between the original budget and the final amended general fund budget (\$13,581 increase in appropriations) can be summarized with the following increases:

- \$1,366 increase to the legislative
- \$1,012 increase to general government
- \$258 increase to other
- \$10,945 increase to capital outlay

The majority of budget amendments were due to capital outlay. This was due to the fact the Township boiler had to be replaced and the Township decided to pave the parking lot.

During the year, however, revenues exceeded budgetary estimates, and expenditures were less than budgetary estimates, thus eliminating the need to draw upon fund balance.

Capital Assets

The Township's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$165,286 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year include new boiler, paving the parking lot, and new cemetery tractor. Details of the Township's capital assets are continued in the notes to financial statements on page 19.

Economic Factors and Next Year's Budgets and Rates

Budget assumptions: The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2004-2005 fiscal year. The Township budgeted for a decrease in state-shared revenue. The Township's millage rate will remain the same. The taxable value will increase, thus bringing in more tax revenue. The Township has planned for more road projects for this next year, which may result in the need to use some funds invested in certificates of deposit, if revenue will not cover it. These factors were considered in preparing the Township's budget for the 2004-2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Carlton Township's finances for all those with an interest in the township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Supervisor/Treasurer/Clerk), Carlton Township, 85 Welcome Rd, Hastings, MI 49058. 269-945-5990

CARLTON TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2004

	<u>Primary Government</u>	
	Governmental	
ASSETS	Activities	Total
Cash and Cash Equivalents	\$ 278,007	\$ 278,007
Investments	306,342	306,342
Receivables		
Other	1,245	1,245
Due From State	27,539	27,539
Due From Other Funds	5,243	5,243
Capital Assets-Net	<u>165,286</u>	<u>165,286</u>
 Total Assets	 <u>783,662</u>	 <u>783,662</u>
 LIABILITIES		
Liabilities		
Accounts Payable	46,241	46,241
Accrued Liabilities	5,412	5,412
Due to Local Units of Government	<u>2,033</u>	<u>2,033</u>
 Total Liabilities	 <u>53,686</u>	 <u>53,686</u>
 NET ASSETS		
Net Assets		
Invested in Capital Assets, Net of Related Debt	165,286	165,286
Restricted-Fire	68,972	68,972
Restricted-Weed	6,243	6,243
Unrestricted	<u>489,475</u>	<u>489,475</u>
 Total Net Assets	 <u>\$ 729,976</u>	 <u>\$ 729,976</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
June 30, 2004

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets	
			Primary Government	
		Charges for Services	Governmental Activities	Total
Primary Government				
Governmental Activities				
Legislative	\$ 6,820	\$ -	\$ (6,820)	\$ (6,820)
General Government	104,475	600	(103,875)	(103,875)
Public Safety	86,158	-	(86,158)	(86,158)
Public Works	90,128	-	(90,128)	(90,128)
Recreational and Cultural	1,200	-	(1,200)	(1,200)
Health and Welfare	2,000	-	(2,000)	(2,000)
Other	4,058	-	(4,058)	(4,058)
Loss on Trade-In Capital Assets	<u>1,135</u>	<u>-</u>	<u>(1,135)</u>	<u>(1,135)</u>
Total Governmental Activities	<u>295,974</u>	<u>600</u>	<u>(295,374)</u>	<u>(295,374)</u>
Total Primary Government	<u>\$ 295,974</u>	<u>\$ 600</u>	<u>(295,374)</u>	<u>(295,374)</u>
General Revenues				
Taxes				
Property			49,196	49,196
Property Reserved for Fire			75,593	75,593
Mobile Home			458	458
Collection Fees			14,205	14,205
State Grants				
State Shared Revenue			164,010	164,010
Other			3,282	3,282
Licenses and Permits			1,245	1,245
Investment Income			10,975	10,975
Other			<u>14,327</u>	<u>14,327</u>
Total General Revenues and Transfers			<u>333,291</u>	<u>333,291</u>
Change in Net Assets			37,917	37,917
Net Assets-Beginning			<u>692,059</u>	<u>692,059</u>
Net Assets-Ending			<u>\$ 729,976</u>	<u>\$ 729,976</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2004

			Total Governmental Funds
<u>ASSETS</u>	<u>General</u>	<u>Fire Fund</u>	
Cash and Cash Equivalents	\$ 236,358	\$ 41,649	\$ 278,007
Investments	258,621	47,721	306,342
Receivables			
Other	1,245	-	1,245
Due From State	27,539	-	27,539
Due From Other Funds	5,230	13	5,243
Total Assets	<u>\$ 528,993</u>	<u>\$ 89,383</u>	<u>618,376</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts Payable	\$ 25,830	\$ 20,411	46,241
Accrued Liabilities	5,412	-	5,412
Due to Local Units of Government	2,033	-	2,033
Deferred Revenue	1,245	-	1,245
Total Liabilities	<u>34,520</u>	<u>20,411</u>	<u>54,931</u>
Fund Balances			
Unreserved-Undesignated	488,230	68,972	557,202
Reserved-Weed	6,243	-	6,243
Designated	-	-	-
Total Fund Balances	<u>494,473</u>	<u>68,972</u>	<u>563,445</u>
Total Liabilities and Fund Balance	<u>\$ 528,993</u>	<u>\$ 89,383</u>	

**Reconciliation of the Governmental Fund's Balance Sheet to the
Statement of Net Assets:**

Capital assets used in governmental activities are not financial resources and therefore
are not reported in the governmental funds

Governmental capital assets	\$ 223,561	
Less: Accumulated Depreciation	<u>58,275</u>	165,286

Deferred revenues reported in governmental funds are recognized as revenues in the governmental activities	<u>1,245</u>
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Net Assets of Governmental Activities	<u>\$ 729,976</u>
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The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2004

	<u>General</u>	<u>Fire Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes and Penalties	\$ 63,859	\$ 75,593	\$ 139,452
State Grants	167,292	-	167,292
Charges for Services	600	-	600
Interest and Rents	9,628	1,347	10,975
Other Revenue	<u>14,327</u>	<u>-</u>	<u>14,327</u>
Total Revenues	<u>255,706</u>	<u>76,940</u>	<u>332,646</u>
Expenditures			
Current			
Legislative	6,820	-	6,820
General Government	99,611	-	99,611
Public Safety	-	79,052	79,052
Public Works	90,128	-	90,128
Recreational and Cultural	1,200	-	1,200
Health and Welfare	2,000	-	2,000
Other	4,058	-	4,058
Capital Outlay	<u>18,932</u>	<u>-</u>	<u>18,932</u>
Total Expenditures	<u>222,749</u>	<u>79,052</u>	<u>301,801</u>
Excess of Revenues Over (Under) Expenditures	<u>32,957</u>	<u>(2,112)</u>	<u>30,845</u>
Other Financing Sources (Uses)			
Proceeds from Trade-In of Fixed Assets	<u>6,412</u>	<u>-</u>	<u>6,412</u>
Total Other Financing Sources (Uses)	<u>6,412</u>	<u>-</u>	<u>6,412</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	39,369	(2,112)	37,257
Fund Balance-July 1, 2003	<u>455,104</u>	<u>71,084</u>	<u>526,188</u>
Fund Balance-June 30, 2004	<u>\$ 494,473</u>	<u>\$ 68,972</u>	<u>\$ 563,445</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$	37,257
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		1,245
In the funds, prepaid items are not accrued, they are recorded as expenditures when paid		(7,106)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$	18,932
Less: Current year depreciation		4,864
Less: Proceeds from Trade-In of Capital Asset		6,412
Less: Loss from Trade-In of Capital Asset		<u>1,135</u>
		<u>6,521</u>
Change in Net Assets of Governmental Funds	\$	<u>37,917</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
FIDUCIARY FUNDS - STATEMENT OF NET ASSETS
June 30, 2004

<u>ASSETS</u>	<u>Pension Trust</u>	<u>Trust and Agency</u>
Cash and Cash Equivalents	\$ -	\$ 5,572
Investments-at Fair Value:		
Other Investments	<u>116,742</u>	<u>-</u>
Total Assets	<u>116,742</u>	<u>\$ 5,572</u>
 <u>LIABILITIES</u>		
Liabilities		
Due to Other Funds	-	\$ 5,243
Due to Other Units of Government:		
Due to Barry County	-	72
Due to Freeport Library	-	4
Due to Lakewood Public Schools	-	211
Due to Ionia Intermediate School District	<u>-</u>	<u>42</u>
Total Liabilities	<u>-</u>	<u>\$ 5,572</u>
 <u>NET ASSETS</u>		
Held in Trust for Pension Benefits	<u>\$ 116,742</u>	

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
FIDUCIARY FUNDS - STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended June 30, 2004

	<u>Pension Trust</u>
Additions	
Contributions	
Employer	<u>\$ 12,193</u>
Total Contributions	12,193
Investment Income	
Interest and Dividends	<u>12,510</u>
Total Additions	<u>24,703</u>
Deductions	
Administrative Expenses	<u>1,665</u>
Total Deductions	<u>1,665</u>
Change in Net Assets	23,038
Net Assets-Beginning	<u>93,704</u>
Net Assets-Ending	<u>\$ 116,742</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Carlton Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Carlton Township:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Township's activities

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

REPORTING ENTITY

Carlton Township is situated in Barry County north of the City of Hastings. The Township operates under an elected board of five members and provides services to residents in many areas including fire protection, library and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Township, there are no component units to be included in these financial statements.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Fund is the Township's fund for fire protection. It accounts for the resources of fire millage revenues that are restricted for use on fire protection.

Additionally, the government reports the following fund types:

- The Pension Trust Fund accounts for the activities of the boards retirement system, which accumulates resources for pension benefit payments to qualified employees.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables - Receivables consist of amounts due from governmental units for State shared revenues, and accounts receivables related to charges for services. In addition, outstanding balances between funds are reported as "due to/from other funds."

Receivables - Taxes - The Township's property taxes are levied and become a lien on each December 1 based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28. After that date, they are added to the county delinquent tax rolls.

The 2003 State taxable valuation of the Township totaled \$51,831,962 on which ad valorem taxes levied consisted of .9494 mills for Township operating purposes and 1.4585 mills for fire protection, raising \$49,196 for operating and \$75,593 for fire protection. Current and delinquent property taxes collected prior to June 30 are recognized in the General Fund and Special Revenue Fund financial statements respectively.

The delinquent real property taxes of the Township are purchased by Barry County. The County has sold tax notes, the proceeds of which were used to pay the Township for these property taxes.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Restricted Assets - The Township has restricted assets for fire protection and special assessment resources for weed control.

Capital Assets - The Township defines Capital assets as assets with an initial cost of more than \$500 for furniture, and all other equipment and \$1,000 for buildings and all other improvements and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight- line basis over the following useful lives:

Buildings	40 years
Land Improvements	20 years
Furniture	10 years
Equipment	7 years
Data Processing Equipment	3 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. A special assessment for weed control is reported as reserved. Designations of fund balance represent tentative management plans that are subject to change.

JOINT VENTURES

Fire Department

The Township, together with the Townships of Baltimore, Irving, Rutland and Hastings has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967. The department is known as the BIRCH FIRE DEPARTMENT. The organizational agreement provides that financing of the Department's activities will be as follows:

"Each Township shall pay an amount of money equal to an agreed millage rate which shall be the same for all Townships, determined as if said millage rate was spread upon the tax roll in each Township or area of each Township served by the department. The amount of the millage shall be determined annually by the Board of Directors of BIRCH and shall be approved by each Township Board as part of the budget of BIRCH each year.

Once the millage has been determined and approved as provided above, the amount of money representing the millage in each Township can be raised by any means available to each township and does not have to be spread upon the tax roll as a 'special assessment'." Carlton Township levies an additional millage for fire protection.

The Township Board of each member Township appoints one elected official to the BIRCH Board of Directors. The BIRCH Board of Directors appoints one member at large from each member Township. The member at large must be a resident and property owner in the district served.

The equity ownership of each Township which is a part of BIRCH in each major piece of fire apparatus or equipment or any personal property having a value of more than \$1,000 is determined using the percentage contribution of each Township as compared with the total contribution of all Townships during the year in which said asset was purchased. Equipment, apparatus and personal property, which is owned by BIRCH but was bought for a sum less than \$1,000, shall give each Township an equity interest in said property equal to the then current percentage of contribution of each Township as compared with the total contributions of all Townships for the current year.

**CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2004**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Department (Continued)

Carlton Township's share of the cost of fire protection remitted to BIRCH for the year ended June 30, 2004 was \$37,737.

The following information summarizes the activity of the joint venture through June 30, 2003, the most recent complete financial statements available.

Total Assets	\$ 366,797	Total Revenues	\$ 234,350
Total Liabilities	\$ 192,064	Total Expenditures	\$ 203,968
Total Equity	\$ 174,733	Increase (Decrease) in Fund Balance	\$ 30,282
Total General Fixed Assets	\$ 645,756		
Total Joint Venture Outstanding Debt	\$ -		

Complete financial statements for BIRCH Fire Department can be obtained as from:

Shirley Drake, Treasurer
9938 S. M-37 Hwy
Dowling, MI 49050

Carlton Township's total equity share in BIRCH Rural Fire Department is \$156,743 of which \$83,384 represents their equity interest in the fixed assets and is reported in the general fixed asset group of accounts.

BIRCH Fire Department covers approximately 50% of Carlton Township. The Township contracts with the Woodland Fire Department and the Freeport Rural Fire Department on an annual basis for fire coverage on the remainder of Carlton Township.

BUDGETS, BUDGETARY ACCOUNTING AND BUDGET BASIS OF ACCOUNTING

Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Township Boards prepares the annual budgets prior to June 30. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by Carlton Township.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2004**

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2004, the Township incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>TOTAL APPROPRIATIONS</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General			
General Government:			
Treasurer	\$ 22,349	\$ 22,680	\$ 331
Cemetery	\$ 15,174	\$ 20,460	\$ 5,286
Public Works:			
Special Assessment	\$ 10,035	\$ 10,280	\$ 245
Drains	\$ -	\$ 550	\$ 550
Health and Welfare:			
Green Gables	\$ -	\$ 2,000	\$ 2,000
Fire			
Public Safety	\$ 65,000	\$ 79,052	\$ 14,052

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated two banks for the deposit of Carlton Township funds.

The Township retirement system's investments are held in trust by the investment fiduciary, Manufacturers Life Financial. Michigan Compiled Laws, Section 38.1132, authorizes the Township retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The Township's deposits and investments are in accordance with statutory authority.

The financial statement caption cash and cash equivalents includes \$134 of petty cash.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

BALANCE SHEET-CASH AND INVESTMENTS (Continued)

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 230,115	\$ 5,572	\$ 235,687
Investments	258,621	116,742	375,363
Restricted Assets	<u>95,613</u>	<u>-</u>	<u>95,613</u>
Total	<u>\$ 584,349</u>	<u>\$ 122,314</u>	<u>\$ 706,663</u>

As of June 30, 2004, the carrying amounts and bank balances are as follows:

<u>DEPOSIT</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Insured (FDIC)	\$ 404,931	\$ 404,931
Uninsured	<u>184,856</u>	<u>159,751</u>
Total Deposits	<u>\$ 589,787</u>	<u>\$ 564,682</u>
Cash and Cash Equivalents	\$ 283,446	\$ 258,341
Investments in Certificates of Deposit with a Maturity Greater Than Three Months	<u>306,342</u>	<u>306,342</u>
Total Deposits	<u>\$ 589,787</u>	<u>\$ 564,682</u>

Carlton Township's investments are in accordance with statutory authority. The nature of the investments does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

	<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
<u>Pension Trust</u>		
Other Investments	\$ 116,742	\$ 116,742
	<u>\$ 116,742</u>	<u>\$ 116,742</u>

INTERFUND RECEIVABLES AND PAYABLES

The amounts of the interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General	\$ 5,230	Tax	\$ 5,243
Fire	<u>13</u>		
	<u>\$ 5,243</u>		<u>\$ 5,243</u>

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ADJUST- MENTS</u>	<u>ENDING BALANCE</u>
Governmental Activities					
Capital Assets not Being Depreciated					
Land	\$ -	\$ -	\$ -	\$ 10,680	\$ 10,680
Investment in Joint Venture	<u>82,239</u>	<u>1,117</u>	<u>-</u>	<u>28</u>	<u>83,384</u>
Subtotal	<u>82,239</u>	<u>1,117</u>	<u>-</u>	<u>10,708</u>	<u>94,064</u>
Capital Assets Being Depreciated					
Buildings	145,484	-	-	(53,890)	91,594
Land Improvements	-	6,945	-	2,926	9,871
Furniture	49,448	-	-	(47,048)	2,400
Equipment	-	11,987	10,017	18,617	20,587
Data Processing Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,045</u>	<u>5,045</u>
Subtotal	194,932	18,932	10,017	(74,350)	129,497
Less Accumulated Depreciation for					
Buildings	42,684	1,371	-	-	44,055
Land Improvements	1,832	321	-	-	2,153
Furniture	2,160	-	-	-	2,160
Equipment	6,456	2,457	2,470	-	6,443
Data Processing Equipment	<u>2,749</u>	<u>715</u>	<u>-</u>	<u>-</u>	<u>3,464</u>
Subtotal	<u>55,881</u>	<u>4,864</u>	<u>2,470</u>	<u>-</u>	<u>58,275</u>
Net Capital Assets Being Depreciated	<u>139,051</u>	<u>14,068</u>	<u>7,547</u>	<u>(74,350)</u>	<u>71,222</u>
Governmental Activities Capital Total					
Capital Assets-Net of Depreciation	<u>\$ 221,290</u>	<u>\$ 15,185</u>	<u>\$ 7,547</u>	<u>\$ (63,642)</u>	<u>\$ 165,286</u>

The adjustments above reflect corrections made during the current year to adjust the carrying balances to the Township's actual physical asset listing and eliminate all assets under the Township's cost threshold of \$500 for furniture, and all other equipment and \$1,000 for buildings and all other improvements.

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	<u>\$ 4,864</u>
Total Government Activities	<u>\$ 4,864</u>

**CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2004**

EMPLOYEE'S RETIREMENT SYSTEM - DEFINED CONTRIBUTION PLAN

The Township contributes to a defined contribution pension plan for its employees. During the current year, the Township changed from making contributions annually to monthly. Also, the Township changed from fixed interest rate funds ("guaranteed accounts") to a new plan that contains both fixed interest rate funds plus some variable return mutual funds. Manufacturers Life Insurance Company holds the participants' accounts in individual accounts.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeiture of other participants' benefits that may be allocated to such participant's account. The pension plan is available to all elected officials of the Township and the Cemetery Sexton. Contributions by the Township vest immediately. The Township contributes 25% to the pension plan for the employees based on actual compensation. Voluntary employee contributions are not allowed.

During the year, the Township's required and actual contributions amounted to \$12,193, which was 25.44% of its current-year covered payroll of \$49,585. The total fiscal year payroll was \$53,050. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township manages its risk exposure through a combination of risk management pools and commercial insurance. The Township has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Township participates in the Michigan Township Participating Plan (Par Plan) for property, general liability, and employee bond coverage. The Michigan Township Participating Plan was established in April 1985, pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Township Participating Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles), which vary from member to member.

At June 30, 2004, there were no claims that exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

CARLTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 455,104	\$ 455,104	\$ 455,104	\$ -
Resources (Inflows)				
Taxes and Penalties	58,300	58,300	63,859	5,559
State Grants	176,854	176,854	167,292	(9,562)
Charges for Services	1,000	1,000	600	(400)
Interest and Rents	7,200	7,200	9,628	2,428
Other Revenue	<u>13,035</u>	<u>13,035</u>	<u>20,739</u>	<u>7,704</u>
Amounts Available for Appropriation	<u>256,389</u>	<u>256,389</u>	<u>262,118</u>	<u>5,729</u>
Charges to Appropriations (Outflows)				
Legislative	7,262	8,628	6,820	1,808
General Government				
Supervisor	12,559	12,559	11,272	1,287
Elections	-	196	196	-
Assessor	14,000	14,000	13,500	500
Clerk	19,686	19,686	18,485	1,201
Board of Review	1,250	1,250	788	462
Treasurer	21,744	22,349	22,680	(331)
Township Hall	4,600	4,600	3,781	819
Cemetery	13,174	13,174	13,098	76
Administration	17,800	18,011	15,811	2,200
Public Works				
Highways	110,000	110,000	79,298	30,702
Special Assessment	10,035	10,035	10,280	(245)
Drains	-	-	550	(550)
Recreational and Cultural				
YMCA	1,200	1,200	1,200	-
Health and Welfare				
Green Gables	-	-	2,000	(2,000)
Other	3,800	4,058	4,058	-
Capital Outlay	<u>2,300</u>	<u>13,245</u>	<u>18,932</u>	<u>(5,687)</u>
Total Charges to Appropriations	<u>239,410</u>	<u>252,991</u>	<u>222,749</u>	<u>30,242</u>
Budgetary Fund Balance-June 30, 2004	<u>\$ 472,083</u>	<u>\$ 458,502</u>	<u>\$ 494,473</u>	<u>\$ 35,971</u>

CARLTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
For the Year Ended June 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 71,084	\$ 71,084	\$ 71,084	\$ -
Resources (Inflows)				
Taxes and Penalties	-	72,000	75,593	3,593
Interest and Rents	-	2,300	1,347	(953)
Amounts Available for Appropriation	-	74,300	76,940	2,640
Charges to Appropriations (Outflows)				
Public Safety				
Fire	-	65,000	79,052	(14,052)
Total Charges to Appropriations	-	65,000	79,052	(14,052)
Budgetary Fund Balance-June 30, 2004	<u>\$ 71,084</u>	<u>\$ 80,384</u>	<u>\$ 68,972</u>	<u>\$ (11,412)</u>

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Revenues				
Taxes and Penalties:				
Property Taxes			\$ 45,107	
Delinquent Property Tax			4,089	
Collection Fees			14,205	
Trailer Park Fees			458	
Total Taxes and Penalties	\$ 58,300	\$ 58,300	<u>63,859</u>	\$ 5,559
State Grants:				
State Revenue Sharing			164,010	
State Revenue Sharing-Other			3,282	
Total State Grants	176,854	176,854	<u>167,292</u>	(9,562)
Charges for Services:				
Sale of Cemetery Lots			600	
Total Charges for Services	1,000	1,000	<u>600</u>	(400)
Interest and Rentals:				
Interest			9,628	
Total Interest and Rentals	7,200	7,200	<u>9,628</u>	2,428
Other Revenue:				
Special Assessment			10,731	
Miscellaneous			3,596	
Total Other Revenue	<u>13,035</u>	<u>13,035</u>	<u>14,327</u>	<u>1,292</u>
Total Revenues	<u>256,389</u>	<u>256,389</u>	<u>255,706</u>	<u>(683)</u>
Expenditures				
Legislative:				
Township Board:				
Per Diem and Fees			3,539	
Pension			1,277	
Legal Fees			796	
Dues and Training			1,138	
Miscellaneous			70	
Total Legislative	<u>7,262</u>	<u>8,628</u>	<u>6,820</u>	<u>1,808</u>

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Expenditures (Continued)				
General Government:				
Supervisor:				
Salary			8,487	
Pension			1,945	
Mileage			120	
Dues and Training			<u>720</u>	
Total Supervisor	12,559	12,559	<u>11,272</u>	1,287
Elections:				
Supplies			146	
Miscellaneous			<u>50</u>	
Total Elections	-	196	<u>196</u>	-
Assessor:				
Contracted Services			<u>13,500</u>	
Total Assessor	14,000	14,000	<u>13,500</u>	500
Clerk:				
Salary			13,149	
Other Wages			1,193	
Pension			3,287	
Professional Services			614	
Supplies			232	
Dues and Training			<u>10</u>	
Total Clerk	19,686	19,686	<u>18,485</u>	1,201
Board of Review:				
Wages			<u>788</u>	
Total Board of Review	1,250	1,250	<u>788</u>	462
Treasurer:				
Salary			16,271	
Other Wages			1,485	
Pension			4,068	
Mileage			196	
Dues and Training			<u>660</u>	
Total Treasurer	21,744	22,349	<u>22,680</u>	(331)

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Expenditures (Continued)				
General Government (Continued):				
Township Hall:				
Utilities			2,504	
Repairs and Maintenance			1,257	
Miscellaneous			20	
Capital Outlay			<u>11,570</u>	
Total Township Hall	4,900	15,845	<u>15,351</u>	494
Cemetery:				
Salary			8,139	
Pension			2,035	
Supplies			1,016	
Repairs and Maintenance			1,758	
Miscellaneous			150	
Capital Outlay			<u>7,362</u>	
Total Cemetery	15,174	15,174	<u>20,460</u>	(5,286)
Administration:				
Postage			2,695	
Supplies			792	
Pension Administration			629	
Audit			4,485	
Computer Services			757	
Telephone			950	
Printing and Publishing			205	
Insurance and Bonds			4,887	
Repairs and Maintenance			182	
Miscellaneous			<u>229</u>	
Total Administration	<u>17,800</u>	<u>18,011</u>	<u>15,811</u>	<u>2,200</u>
Total General Government	<u>107,113</u>	<u>119,070</u>	<u>118,543</u>	<u>527</u>
Public Works:				
Highways:				
Repairs and Maintenance			<u>79,298</u>	
Total Highways	110,000	110,000	<u>79,298</u>	30,702

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Expenditures (Continued)				
Public Works (Continued):				
Special Assessment:				
Contracted Services			<u>10,280</u>	
Total Special Assessment	10,035	10,035	<u>10,280</u>	(245)
Drains:				
Contracted Services			<u>550</u>	
Total Drains	<u>-</u>	<u>-</u>	<u>550</u>	<u>(550)</u>
Total Public Works	<u>120,035</u>	<u>120,035</u>	<u>90,128</u>	<u>29,907</u>
Recreational and Cultural:				
YMCA:				
Contracted Services			<u>1,200</u>	
Total YMCA	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Total Recreational and Cultural	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Health and Welfare:				
Green Gables:				
Contracted Services			<u>2,000</u>	
Total Green Gables	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>(2,000)</u>
Total Health and Welfare	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>(2,000)</u>
Other:				
FICA Contribution	<u>3,800</u>	<u>4,058</u>	<u>4,058</u>	<u>-</u>
Total Other	<u>3,800</u>	<u>4,058</u>	<u>4,058</u>	<u>-</u>
Total Expenditures	<u>239,410</u>	<u>252,991</u>	<u>222,749</u>	<u>30,242</u>
Excess of Revenues Over (Under)				
Expenditures	<u>16,979</u>	<u>3,398</u>	<u>32,957</u>	<u>29,559</u>

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Other Financing Sources (Uses):				
Proceeds from Trade-In of Fixed Assets	<u>-</u>	<u>-</u>	<u>6,412</u>	<u>6,412</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>6,412</u>	<u>6,412</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	16,979	3,398	39,369	35,971
Fund Balance-July 1, 2003	<u>455,104</u>	<u>455,104</u>	<u>455,104</u>	<u>-</u>
Fund Balance-June 30, 2004	<u>\$ 472,083</u>	<u>\$ 458,502</u>	<u>\$ 494,473</u>	<u>\$ 35,971</u>



WALKER, FLUKE & SHELDON, PLC
CERTIFIED PUBLIC ACCOUNTANTS

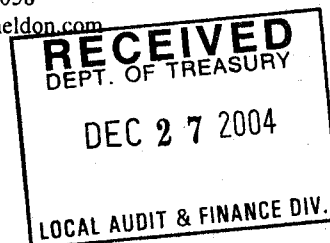
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September 22, 2004

To the Township Board
Carlton Township
Barry County, Michigan



We have recently completed an audit of the financial statements of Carlton Township, Barry County, Michigan for the year ended June 30, 2004. During the course of the audit, the following items came to our attention, which require further comment.

Budgeting

P.A. 621 of 1978, Section 17, provides that a local unit should amend the expenditures budget when it appears that the budgeted revenues will be less than anticipated expenditures. In addition, Section 18 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2004, the Township over expended in six areas. The Township currently monitors the budget and does amend the budget from time to time and will continue to do so. In addition, consideration should be taken at year-end for typical audit adjustments and amend the budget accordingly.

Interest Income Record Keeping

During the course of the audit, it was noted that interest income on certificates of deposit was not being recorded when the interest was earned.

According to generally accepted accounting principles, the general and special revenue funds of governmental units use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means, collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Since the interest earned on certificates is periodically credited to the account, the interest being credited meets the measurable and available test for revenue recognition and must be recorded by the Township.

It is our recommendation that the Township record interest income from certificates of deposit when it is credited to the account. The treasurer should request quarterly print outs for each certificate of deposit from the corresponding bank. The amount of interest credited to the account since the prior inquiry should be receipted and given to the clerk for posting in the general ledger. This documentation should be kept to support the entries and filed in an organized manner that is easily accessible. In addition, the clerk should reconcile the bank balance to the adjusted general ledger balance. Any discrepancies should be investigated and corrected in a timely manner.

We would like to take this opportunity to thank the Carlton Township Clerk and Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Fluke & Sheldon, PLC